Fiscal Note 2009 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	HB0345		**Title:**	Renters tax credit
Primary Sponsor:	Lange, Michael		**Status:**	As Amended

- ☐ Significant Local Gov Impact
- ☑ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$39,061	$34,301	$35,009	$0
Revenue:				
General Fund	($6,022,222)	($6,022,222)	$0	$0
Net Impact-General Fund Balance	($6,061,283)	($6,056,523)	($35,009)	$0

Description of fiscal impact:

This bill will allow renters with adjusted gross income no more than $45,000 to take a refundable credit of 3% of gross rent with a limit of $120 per dwelling unit against individual income taxes for 2007 and 2008. General fund revenue in FY 2008 and FY 2009 is reduced. Costs of administering the credit continue into FY 2010.

FISCAL ANALYSIS

Assumptions:

1. This bill provides a credit against income taxes for 2007 and 2008 of 3% of gross rent paid during a year with a maximum of $120 per dwelling unit. To be eligible, the taxpayer must be a resident for at least nine months of the tax year and rent for at least 7 months of the tax year. Taxpayers who share a dwelling unit must share the credit in proportion to the rent they paid. Taxpayers with adjusted gross income greater than $45,000 per year and households claiming the elderly homeowner/renter credit are not eligible.
2. There are 83,604 dwelling units in Montana, rented for cash and occupied by households with household income less than $50,000 (U.S. Census Bureau, 2005 American Community Survey). Since household income includes tax exempt income, and is therefore more than adjusted gross income, this will be assumed to be the number of dwelling units where the renters are eligible for the credit.

3. The elderly homeowner/renter credit was claimed by 7,470 renter households in 2006. The number will be the same in 2007 and 2008.
4. There are 76,134 households eligible for this credit (83,604 – 7,470).
5. Not all taxpayers eligible for a credit claim it. Use of means tested programs and tax credits varies from close to zero up to two-thirds to three-fourths of eligible households. Usage of this credit is unknown, but this fiscal note assumes that the credit will be well publicized and that 70% of eligible households will claim the credit.
6. Renters with annual rent of $4,000 or more ($120 / 3%) will claim the maximum credit of $120.
7. Rental units with annual rent of $4,000 or more make up 86% of the total. The average rent of rental units with rent less than $4,000 is $2,385. (U.S. Census Bureau, 2005 American Community Survey)
8. The average credit claimed by occupants of a rental unit will be $113 (86% x $120 + 14% x $2,385 x 3%).
9. Each year, 53,294 households (70% x 76,134) will claim credits averaging $113. Total credits will be $6,022,222 (53,294 x $113). Credits will be claimed on tax returns filed in the spring of FY 2008 and the spring of FY 2009. General fund revenue will be reduced by $6,022,222 in FY 2008 and FY 2009.
10. The Department of Revenue would require an additional 0.5 FTE tax examiner in each of FY 2008 through FY 2010 to process and audit returns claiming the credit. Salary would be $18,085 and benefits and insurance would be $9,578 in FY 2008 for total personal services costs of $27,663 in FY 2008, increasing by 2.5% in subsequent years. Costs in FY 2008 for a desk, computer, and other equipment would be $5,900. Operating costs would be $5,498 in FY 2008 and $5,946 in FY 2009 and FY 2010. Total costs would be $39,061 in FY 2008 and $33,609 in FY 2009 and FY 2010.

	FY 2008 Difference	**FY 2009 Difference**	**FY 2010 Difference**	**FY 2011 Difference**
Fiscal Impact:				
FTE	0.50	0.50	0.50	0.00
Expenditures:				
Personal Services	$27,663	$28,355	$29,063	$0
Operating Expenses	$5,498	$5,946	$5,946	$0
Equipment	$5,900	$0	$0	$0
TOTAL Expenditures	$39,061	$34,301	$35,009	$0
Funding of Expenditures:				
General Fund (01)	$39,061	$34,301	$35,009	$0
TOTAL Funding of Exp.	$39,061	$34,301	$35,009	$0
Revenues:				
General Fund (01)	($6,022,222)	($6,022,222)	$0	$0
TOTAL Revenues	($6,022,222)	($6,022,222)	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($6,061,283)	($6,056,523)	($35,009)	$0

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*